AN PRODUCTIVITY BASED HUMAN RESOURCE MANAGEMENT

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Introduction

Recently, much work is being done on the impact of the human resource systems on organizational effectiveness. Pfeffer (1994, 1998), emphasized that now if the company succeed in the complex market place in hypercompetitive environment than it is not because of patents, technology, economies of scale and access to capital alone but adaptability, innovation and speed are the variables that play the major role which are actually associated with the human resource part of the organization. Pfeffer (1994, 1998) and other researchers (e.g., Kochan & Osterman, 1994; Lawler, 1992, 1996; Levine, 1995) place more emphasis on the fact that heavy investments should be made in the field of high-performance or high-involvement human resource systems, that are actually the systems belonging to human resource practices which are formulated to improve the skills of employees, enhance their level of commitment and hence lead to more productivity. However, all these facts are true but at the same time, we cannot ignore the fact that investments in some sectors may be more beneficial than in other sectors. Due to globalization and increased awareness, organization are adopting innovative practices like increased flow of information to workers, job flexibility, problem solving teams, incentive pay, training and development etc. We become aware of the fact that the way organization chose its employment practices decide the output of its workers. Theories pertaining to the work practices that affect the productivity of workers, given by researchers like Pfeffer (1994,1998), Miller (1987),focus on the different ways in which policies related to compensation like efficiency wage payments, profit sharing, bonuses and other different types of incentive pays can affect the output of the workers. Yet there are some other models and practices that focus on diverse employment practices like increased use of work teams, effective recruitment, employment security, flow of financial information to employees and employee voice mechanisms. Some theories suggest that instead of adopting and implementing individual practices it is much better to put into practice a bunch of practices so that the output and productivity increase is much prominent. When related activities are grouped together then they are important determinants of productivity as compared to individual practices According to Delery and Shaw (2001), there are two distinguishing features between the more traditional HR management (HRM) practice research and the SHRM research. First, SHRM studies focused on how HR can enhance the organizational effectiveness and second distinctive feature is the extent of analysis. In HRM practice, research conventionally had an individual-level focus; in dissimilarity, SHRM research is done at the business-unit or organizational level of analysis. Focusing on this aspect, current HR research's main focus is high performance work systems which help increase employee commitment, employee skills and hence productivity and how we can utilize these HR practices to achieve competitive advantage (Lawler, 1992, 1996; Levine, 1995; Pfeffer, 1998). Neither theoretical (e.g., Lawler, 1992; Levine, 1995; Pfeffer, 1998) nor pragmatic work (e.g. Huselid, 1995) can give a single exact definition of a high-performance work system, but it is easy to distinguish the practices which these systems include and they are internal merit-based promotions, rigorous selection procedures, high levels of training, cross-functional and cross-trained teams, information sharing, group-based rewards, participatory mechanisms, and skill-based pay. Many researchers have thrown some light on the association between the labor productivity and these different practices mentioned above (e.g. Huselid, 1995).Organizations are incorporating HRM practices in their systems now. However, different organizations adopt them differently depending upon their environment. The level of competition and technology differ from area to area. However, no matter what the external or internal environment of organization may be each organization is still adopting new HRM practices. In this study, we use labor productivity as the key outcome excluding all other outcomes. Some studies also used other outcomes to measure the effects of Human Resource Management and they include absenteeism, worker turnover, perceptions of workers etc. we cannot deny the fact that though these outcomes are important but at the same time if they do not affect productivity then they are second order.

Human Resource Management

Human Resource Management (HRM) is a very critical and imperative function that operates within an organization. This function can be classified into recruitment, compensation, development related to the organization, safety, motivation of employees, benefits, wellness, communication and training, administration and performance management and all the activities that are associated with the employees and the ways direction is provided to them to achieve the goals of the organization. Line managers also play a vital role in performing human resource management.

Human resource management is inclusive and a proper systematic approach to manage the people working in the organization. It also copes with the ways how the environment and culture within the organization is managed. If there is effective and appropriate HRM it will lead to the achievement of organizational goals and objectives adding to the productivity of the organization. Early Human Resource Management was traditional but now the concepts have changed tremendously. It is now more than the traditional outsourced activities that were related to personnel, transactional roles and administration. It is not a demarcated area but a broader concept and with the passage of time, it is becoming more enriched and hence provides the organization with an edge against its competitors. Effective HRM is adding value to the success of the organization by stirring the employee programs that have a significant impact on the business. The advanced roles of HRM include measurements related to HRM and strategic direction to exhibit value. Features of Human Resource Management include manpower management, industrial management, organizational management and personnel administration. However, we cannot ignore the fact that these are the traditional terminologies and with the passage of time, with more enriched knowledge, these traditional expressions are becoming less common theoretically.

Sometimes, due to misperception even industrial relations and employee are listed as synonyms, although these refer to the employee behavior and the relation between the people working in the organization and the management.

The theoretical discipline elaborates the point that the employees working in the organization are not merely the business resources nor are they machines but humans with their respective needs and desires. Hence, they should be treated accordingly. Human resource management throws light on the positive side of the workers that they are irreplaceable assets belonging to the organization that contribute to its success. Though employees contribute to the productivity but at the same time many hurdles also exist which include insufficient training, failure of process and lack of knowledge. Human Resource Management (HRM) is quite different from the traditional approach and is more innovative way of managing people at work. HRM ensures that the managers clearly convey the organizational goals and objectives so that they can be accomplished more efficiently and effectively by the employees by providing them with the required resources. When HRM activities are implemented as well as executed properly they portray the overall practices and goals of the organization. Practitioners such as researchers, bank managers and employees also believe that risk can also be reduced by HRM.

Labor productivity: Productivity of workforce is the total quantity of services and goods that an employee produces a given amount of time. It is just one type of productivity among several others that economists measure. Workforce productivity can be measured for number of things like it can be measured for an industry, a country, process or an organization. Most of the studies are conducted on it with respect to the productivity of laborers but not of professionals or managers. According to the Organization for Economic Cooperation and Development (OECD), workforce productivity studies the relative amount of volume measure of input to volume measure of output. We can define volume measure of output as gross value either added (GVA) or gross domestic product (GDP) which is usually articulated at invariable prices.

The three frequently used input measures are jobs of workforce, number of people employed or total worked hours. Labor productivity measured will show a discrepancy as a function of how efficiently the production factors are used and other inputs but at the same time, because one has more capital usage so that organization or country labor productivity will be higher. Output of worker is the labor products average and that can be compared with the labors marginal product. Marginal product of labor is the increase in the labor output due to the augmented labor input. Labor productivity numbers reveal many things. The first thing, which it indicates, is the amount of raw labor that is required to produce the specific amount of output. Labor productivity help countries determine whether their position is improving or declining. Labor productivity increases due to enhancement in skills, technology and different other factors. If the same number of workers produce the same quantity of product in reduced amount of time than it means progress has been made.

Why focus on labor productivity?: There are number of measures for output that we can use to calculate the effectiveness and efficiency of the HR systems, which may include profits, turnover could also be used for this purpose at the same time absenteeism is also a very good indicator. However, labor productivity is used most often because of number of reasons. First, labor productivity is used as the most fundamental organizational outcome. Productivity of the labor is the ratio of the total output to the total input, which show how the organization is workin at a particular point of time. Secondly, there is big connection between the productivity and the human capital and the most important connection is with the productivity of the labor. There is a direct link between the two so it is the most valid tool that can be used to measure the success rate of the organization (Dyer & Reeves, 1995). Third, the theorists pertaining to SHRM have elaborated the point that for workforce performance, productivity of labor is a crucial indicator (Delery& Shaw, 2001). Finally, in literature pertaining to SHRM much work has been accomplished using labor productivity as tool to calculate outcome (Boselie & Dietz, 2003).

Relationship between HRM and Labor Productivity in terms of Organizational Effectiveness

Recent years have witnessed burgeoning interest in the degree to which human resource systems contribute to organizational effectiveness. Pfeffer (1994, 1998), for example, argued that success in today's hypercompetitive markets depends less on advantages associated with economies of scale, technology, patents, and access to capital and more on innovation, speed, and adaptability. Pfeffer further argued that these latter sources of competitive advantage are largely derived from organizations' human resources. On the basis of these and similar arguments, Pfeffer (1994, 1998) and others (e.g., Kochan & Osterman, 1994; Lawler, 1992, 1996; Levine, 1995) have strongly advocated greater organization investments in high-performance or high-involvement human resource systems, which are systems of human resource (HR) practices designed to enhance employees' skills, commitment, and productivity. Managers know that people make the critical difference between success and failure. The effectiveness with which organizations manage, develop, motivate, involve and engage the willing contribution of the people who work in them is a key determinant of how well those organizations perform. Yet, there is surprisingly little research demonstrating the causal links between people management and business performance. Management practices and styles lead to more motivated, satisfied, or productive employees. However, demarcated work is done that apply rigorous, comparative analysis over time to the individual elements of management activity and measure the contribution they make to performance.

The performance of organizations has been the focus of intensive research efforts in recent times. How well an organization implements its policies and programs and accomplishes its strategic intent in terms of its mission and vision is of paramount concern. Managers in both private and public organizations are becoming increasingly aware that a critical source of competitive advantage often not come from indigenous product and services, best public relations strategy, state-of-the-art technology but from having an appropriate system of attracting and managing the organization's human resources. Are such progressive people management practices the only route to enhanced business performance? It is a fact of life that some companies are profitable despite making little or no use of such practices. These companies may possibly be in production sectors where jobs require little input from the employee other than sustained effort; or in small service operations competing on price rather than quality. However, where businesses face international competition; where they are committed to excellence and quality standards; where creativity and innovation are essential to moving the business forward - employee commitment and a positive psychological contract' between employer and employee are fundamental to improving performance. Although, there are differences across commentators as to what constitutes 'good' HRM practices, many writers (e.g. Bailey, 1993; Huselid, 1995) have argued that HRM practices can improve company performance by increasing employee skills and abilities, Promoting positive attitudes and increasing motivation, providing employees with expanded responsibilities so that they can make full use of their skills and abilities. In comparative study, the HRM practices included are Incentive pay, Recruitment and selection, Work teams, Employment security, Flexible job assignment, Skills training and Communication. Some strategic HRM practices: strategic HRM alignment, line management devolvement, training and development, compensation system, career planning system and employee participation are positively related to perceptual measures of organizational effectiveness. They show decisively that people management practices have a powerful impact on performance. Whether performance is measured in terms of productivity, which might be expected to have stronger links with the way in which companies manage their people or profitability, in both cases the effect is substantial. There is now a considerable body of work proposing that high quality people management can provide organizations with a source of competitive advantage that it is difficult for competitors to imitate. It is the management of human capital, rather than physical capital that is seen as the most important determinant of company performance. The more sophisticated the HRM system the more effective is the organization. HRM practices do lead to organizational effectiveness

Conclusion

It is worthwhile to compare four banks based on these seven HR variables. These all seven variables are very much necessary for the productivity. Comparing these four banks one can see that major factors that contribute maximum towards productivity are recruitment and selection, skills training and majorly for public banks job security is very much larger contributor. A few variables like communication have different impact in different banks. Flexible job assignment has also come as a variable that has less contribution in comparison with other variables that are chosen for this study. Incentive pay is another variable that is performing different for different banks. It can be seen from above. It has established a relationship among these variables and productivity that has been shown in the tables above. It is clear that employees in these four banks have different opinions about all the variables under investigation. It is fair to conclude that human resource is a very important concept regarding to the productivity of the business. The time has come that it should be given due importance as it was neglected in the past. From the study, it has been concluded that these HR variables have a relationship with the productivity of the bank. It is needed to select the optimum mix of variables that produce maximum results in the case of productivity. It is evident from the study that if banks are successful in employing these HR practices, likelihood increases that they are going to get more result. It is necessary to draw such a mechanism that allows banks to be more familiar with the techniques and benefits of these practices.

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